

Message Text

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ORIGIN AGR-08

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DRAFTED BY: FAS:CEP:RESPENCER

APPROVED BY: EB/ORF/OFP/FPD:MPBOERNER

DWILLIAMS

JSTEVENSON (DRAFT)

KOSTEPHENS (DRAFT)

FAWOODLING (DRAFT)

AAO:ETRANSOM (DRAFT)

AGRIC:ERBEVIS

EB/OFP/FPD:RSSIMPSON

EB/ICD/FTD:AJWILLIAMS

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P 222227Z NOV 74

FM SECSTATE WASHDC

TO AMEMBASSY SEOUL PRIORITY

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E.O. 11652: NA

TAGS: EAGR, EFIN, KS

SUBJECT: CCC CREDIT FOR KOREA

1. NEW LINE CCC CREDIT TO COVER EXPORT DOLS 50 MILLION WORTH COTTON UNDER EXISTING CONTRACTS ONLY HAS BEEN APPROVED.

2. AFTER THE FIRST DOLS 50 MILLION CCC CREDIT FOR COTTON WAS GRANTED ROK, PRIVATE U.S. FINANCIAL INTERESTS EXPRESSED DISMAY THAT AVAILABLE PRIVATE CAPITAL HAD NOT BEEN USED. AS A RESULT, APPROVAL OF DOLS 50 MILLION ADDITIONAL CCC CREDIT IS BASED ON THE UNDERSTANDING THAT IT MUST BE MATCHED BY DOLS 50 MILLION OF PRIVATE FINANCING. WE ARE LIMITED OFFICIAL USE

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CONCERNED NOT ONLY THAT THIS REQUIREMENT BE MET, BUT THAT

ADDITIONAL CREDIT BE MADE AVAILABLE TO KOREAN MILLS AS QUICKLY AS POSSIBLE TO ALLEVIATE COTTON CONTRACT DIFFICULTIES. WE HAVE OUTLINED PROCEDURES IN PARA 3 - 9 BELOW WHICH WE HOPE WILL ACHIEVE BOTH AIMS. HOWEVER, THESE PROCEDURES ARE NOT MEANT TO BE INFLEXIBLE AND EMBASSY SUGGESTIONS WILL BE WELCOME.

3. IN EFFORT TO BE AS FORTHCOMING AS POSSIBLE, DOLS 10 MILLION OF THIS NEW LINE HAS ALREADY BEEN ESTABLISHED AND WAS ANNOUNCED TO EXPORTERS ON NOVEMBER 15. TERMS PROVIDE FOR THREE YEAR FINANCING WITH EQUAL ANNUAL PAYMENTS OF PRINCIPAL PLUS ACCURED INTEREST. EXPORT AUTHORIZATION PERIOD NOVEMBER THROUGH JUNE 30, 1975.

4. AN ADDITIONAL DOLS 10 MILLION OF THIS LINE WILL BE MADE AVAILABLE UPON RECEIPT SATISFACTORY EVIDENCE THAT NEW PRIVATE FINANCING FOR EXPORT OF AN ADDITIONAL DOLS 20 MILLION WORTH OF COTTON HAS BEEN UTILIZED.

5. THEREAFTER, ADDITIONAL DOLS 10 MILLION INCREMENTS OF APPROVED CCC CREDIT LINE WILL BE MADE AVAILABLE SERIALY UPON SATISFACTORY SHOWING AFTER EACH THAT ADDITIONAL DOLS 10 MILLION INCREMENT NEW PRIVATE FINANCING OF COTTON EXPORTS HAS BEEN UTILIZED.

6. FOR THIS PROCEDURE, NEW PRIVATE FINANCING MEANS PRIVATE FINANCING ARRANGED SUBSEQUENT TO NOVEMBER 15, 1974 AS EVIDENCED BY ISSUANCE OF ACCEPTABLE LETTER OF CREDIT AUTHORIZING PAYMENT TO A U.S. EXPORTER, RATHER THAN CCC, PURSUANT TO A PREEXISTING CONTRACT BY KOREAN IMPORTER WITH SUCH EXPORTER. USDA HAS ESTIMATED THAT OVER DOLS 200 MILLION IN U.S. COTTON CONTRACTS TO KOREA WERE OUTSTANDING IN OCTOBER.

7. BEFORE EACH ADDITIONAL INCREMENT OF CCC CREDIT IS MADE AVAILABLE, CCC WILL REQUIRE LETTER FROM APPROPRIATE KOREAN AUTHORITY THAT PRIVATE FINANCING HAS BEEN UTILIZED TO EXTENT OUTLINED ABOVE. WE ASSUME APPROPRIATE KOREAN AUTHORITY TO BE ECONOMIC LIMITED OFFICIAL USE

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PLANNING BOARD, LETTER TO BE SIGNED BY MINISTER. YOUR ADVICE RE THIS PROCEDURE REQUESTED.

8. CCC DESIRES COPY OF EACH LETTER OF CREDIT OPENED EVIDENCING PRIVATE FINANCING TO AVOID DELAY IN OPENING UP ADDITIONAL INCREMENTS CCC CREDIT. EMBASSY ADVICE REQUESTED HOW THIS CAN BEST BE ACCOMPLISHED.

9. SWAK MUST PROVIDE ASST. SALES MANAGER OFFICE, COMMERCIAL EXPORT PROGRAMS, USDA, WASHINGTON WITH LIST OF U.S. EXPORTERS PARTICIPATING IN SALES FINANCED BY PRIVATE CAPITAL GENERATED BY 50 MILLION CCC CREDIT AS WELL AS DOLLAR VALUE OF EACH SALE.

10. PROCEDURE WAS DISCUSSED WITH COUNSELOR HUNG KI KIM, ROK EMBASSY, WASHINGTON. KIM REPLIED THAT HE MUST CONSULT WITH HIS GOVERNMENT, AND ASKED IF ENTIRE DOLS 50 MILLION CREDIT COULD BE OPENED IMMEDIATELY IF ECON MINISTER FURNISHED LETTER GUARANTEEING DOLS 50 MILLION PRIVATE FINANCING FOR COTTON CONTRACTS WOULD BE FORTHCOMING WITHIN THREE OR FOUR MONTHS. WE TOLD KIM THAT WE WOULD STUDY HIS PROPOSAL WITH INTENTION OF MEETING AGAIN SHORTLY TO WORK OUT PROCEDURE AGREEABLE TO BOTH PARTIES.

11. EMBASSY REQUESTED DISCUSS PROPOSED PROCEDURE FOR IMPLEMENTING DOLS 50 MILLION CCC CREDIT LINE WITH ECONOMIC PLANNING BOARD AND/OR OTHER APPROPRIATE KOREAN OFFICIALS AND SEEK THEIR SUGGESTION FOR IMPLEMENTING DETAILS OF PROCEDURES AS PER PARAS 7 AND 8 ABOVE. REPORT RESULTS AND SUGGESTED ALTERNATIVE APPROACHES, IF ANY, TO ASSURING PARALLEL PROGRESS IN PRIVATE FINANCING ASAP. INGERSOLL

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